British Columbia

PROVINCIAL CAPITAL COMMISSION

ANNUAL REPORT
2002/2003

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PROVINCIAL CAPITAL COMMISSION

REPORT FOR THE YEAR
ENDED MARCH 31 2003

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MESSAGE FROM THE CHAIR

This year's annual report recognizes the past accomplishments of the Provincial Capital Commission, as well as our change in mandate from the Province of British Columbia.

In January, 2003, the new Board of Directors, which now includes British Columbians from across the province, convened its first meeting and approved a new high level Service Plan for the Commission. Our new Service Plan sets out a three-year framework to guide the organization through a number of steps, including a review and solid understanding of the Commission's activities and accomplishments over the past number of years.

In February, the Board held a two-day planning session with management focused on our change in mandate of bringing pride to all four million-plus British Columbians in their province and their capital. Out of this session came a new mission and vision for the Commission, "To connect and celebrate the Capital with every British Columbian."

In addition, the Board and management have set out a number of organizational values that will help us during our planning, policy development and decision-making.

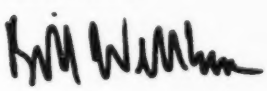
While the Commission's new Board of Directors is enthusiastic about moving forward with the planning, including a detailed review of the Commission's real estate inventory, we want to recognize the contributions of previous boards.

Our Capital has been permanently enriched for the benefit of all British Columbians through the activities of the Provincial Capital Commission. The results include many years of success in heritage preservation and enhancement, and our current Board of Directors is committed to maintaining a balance between our heritage properties and our new mandate.

Now, as we move forward, our planning and objectives will focus on three major goals.

First, bringing pride to all British Columbians in their province and Capital; **second**, a Capital that reflects the history and cultures of British Columbia; and **third**, a successfully transitioned Crown Corporation that is focused 100 per cent on its new mission and vision.

Those who came before us deserve our thanks, including our staff who continue to be tireless supporters of the Commission's work and place in the community. Today, as we plan for the implementation of our new mandate, we look forward to working with our community partners and receiving input from our multiple stakeholders.



Bill Wellburn, CA
Commission Chair

A YEAR IN TRANSITION

The Government of British Columbia and its Crown Corporations are committed to reporting on performance. The Budget Transparency and Accountability Act (BTAA), as amended in August 2001, provides the legislative framework for a regular cycle of planning, reporting and accountability.

Under the BTAA, Crown Corporations are responsible for producing three-year Service Plans (previously called performance plans), which are updated yearly, and annual Service Plan Reports (formerly called Performance Reports). The amended BTAA takes effect in the 2002/03 fiscal year. The first three-year Service Plans, covering the period 2002/03 to 2004/05, were released with the provincial budget on February 19, 2002.

This Annual Report relates to the first fiscal year of that cycle, covering April 1, 2002, to March 31, 2003. This was a transition year for the Commission. It was also a year that came with new policy direction based on the government's New Era commitments and conclusions arrived at during the core services review, which refined the mandates of Crown Agencies and identified the strategic shifts required to move government toward its long-term objectives.

This report provides an update on that activity and the Commission's performance, approaching the model provided by the BTAA as closely as is possible in the circumstance.

An annual report would normally relate back to a preceding plan and report on the results achieved compared with the intentions outlined in that plan. In this case, the preceding plan for this 2002/03 fiscal year was produced before the adoption of the significant changes outlined above, and as noted, this Agency has been significantly redirected, and policies and priorities are in a state of change. This limits the extent to which performance information as described in the previous plan is useful. The 2002/03 Report focuses on the Provincial Capital Commission in transition.

EVOLUTION TO THE NEW ERA

A high level three-year Service Plan was approved by the new Board of the Provincial Capital Commission in January, 2003. In the Service Plan, the Commission described a transition framework that will see the PCC moving from a regional to a provincially focused agency, one that will bring pride to all British Columbians in their Capital.

SERVICE PLAN TRANSITION FRAMEWORK

The Transition Framework sets out three steps to be achieved over the next three years that will systematically move the PCC from its current position to a carefully planned future. The three steps set out in the Service Plan are:

Step One: Planning
Step Two: Shareholder's Validation of Major Planning Outputs
Step Three: Alignment of Operations with Vision, Mission and Values

In January 2003, the Commission welcomed the Premier and the Minister Responsible to its inaugural Board meeting to hear their views and expectations of the PCC based on the Core Services review.

In February, with the January meeting still fresh in mind, the Commission convened a two day planning meeting with the following goals:

- *Articulate the Shareholder's **Vision** for the PCC*
- *Agree on a **Governance Framework** to effect the Vision*
- *Develop our **Mission, Values and Guiding Principles***
- *Clarify and prioritize the PCC's **significant stakeholders***
- *Develop and prioritize our **strategic directions***

The PCC Board has approved a new **Mission/Vision** for the PCC, along with a number of **Values and Guiding Principles** that will guide its deliberations, decisions and policy-making.

Our Mission and Vision:

Connecting and celebrating the Capital with every British Columbian.

Our Values and Guiding Principles:

Act with integrity:

Open, honest and fair
Transparent

Be respectful, inclusive and accessible.

Think, plan and act long-term.

Be socially responsible in everything we do:

Long-term financial and economic sustainability
Healthy environment
Well-being of all citizens

Balance the needs of the Capital and the Province-wide mandate

Recognize and support the diversity of British Columbia's cultures, landscapes and history.

Manage the balance between our heritage properties and our overall mandate

The PCC Board has also approved a new governance framework that will guide both individual directors and the operation of the Board. Three Board committees have been established and board members appointed to them. Each committee has a specific purpose, but all committees are to assist in the detailed work of the Board.

In addition, the Board has established a Planning Task Force and charged it with taking the first stage of the discussions at the February Planning Session on stakeholders and strategic directions to the next level of detailed analysis. The Planning Task Force will undertake a detailed review of stakeholders and develop recommendations on goals, objectives and strategies for Board approval.

Concurrently, the Board's Finance and Audit Committee is beginning a detailed property-by-property review and analysis of the PCC's holdings. This work is in addition to the regular work that is typically assigned to a Finance and Audit Committee.

The Planning Task Force will develop recommendations for the Board that focus on what actions and direction are required to achieve our future objectives. At the same time, the Finance and Audit Committee will bring forward a detailed analysis to the Board on the PCC's property holdings and undertakings.

Out of this session came a new mission and vision for the Commission,

"To connect and celebrate the Capital with every British Columbian"

The Board will then approve future goals, objectives and strategies required to meet our new mission including a determination on the future state of each Commission-controlled property and undertaking.

If a property or undertaking is not required, a divestiture plan will be prepared that is in the best interests of the Province and is consistent with the Commission's values and guiding principles.

Following is a summary of where the PCC stands on its three-step transition framework:

Step One: Planning

Review of legislation & mandate	*In progress*
Articulate shareholder's vision	*Completed, subject to validation*
Determine and consult with stakeholders	*In progress*
Determine new strategic partners	*In progress*
Determine guiding principles and values	*Completed*
Determine mission	*Completed*
Review policy framework	*In progress*
Review governance framework	*Completed*
Address funding (continued self-sustaining vs. Gov't funded vs. financial return to Gov't)	*In progress*
Establish strategic objectives	*In progress*

Step Two: Shareholder's Validation of Major Planning Outputs

The people of British Columbia are the collective shareholder, but in practice, the rights and responsibilities of the shareholder are shared and exercised on behalf of the people by the Legislative Assembly and the Government. Validation of the new Board's direction is initiated by this report.

Step Three: Alignment of Operations with Vision, Mission and Values

When this first phase of long-term planning is complete in fiscal 2003/2004, the Commission will proceed to develop a detailed Annual Operating Plan for 2004/2005. Over the next three years, beginning in 2004/2005, Annual Operating Plans will set the course to implement the change required to achieve a new vision of the PCC. Change may affect any of the following:

- Real estate holdings and activities (manage, transfer, divest, hold, develop)
- CID enhancement activities (coordination/approval role, beautification)
- Special projects (Crystal Garden/St. Ann's Academy)
- Province-wide engagement activities (partnerships, outreach)

SERVICE PLAN OBJECTIVES: YEAR 1 (2003/2004)

The three steps set out above are the underpinnings of the PCC's minimum Year 1 (2003/2004) Objectives as outlined in the PCC Service Plan.

As a result of the timing of the appointment of a new PCC Board and the clear direction provided by the shareholder, a head start has been made on our first year objectives. Consequently, we are pleased to report the following:

1. Complete, approve and adopt by the Commission:	
Vision, Mission and Values of the PCC	*Completed*
Governance framework for the PCC	*Completed*
Commission policies	*In progress*
Strategic objectives	*In progress*
2. Shareholder validation of major planning outputs	*In progress*
3. Recommendations to the Minister for revisions to the Capital Commission Act	*To do*
4. Review staffing requirements	*To do*
5. Undertake a study of strategies that would engage all British Columbians in developing "pride in our Capital"	*To do*
6. Compile detailed Annual Operating Plan for 2004/2005	*To do*

CURRENT PROGRAMS

While the PCC's current operations are being reviewed in the context of a new mandate to better connect the Capital with British Columbians across the province, the past 12 months have reflected the Commission's ongoing commitment to enhancing and promoting Victoria's unique provincial and national character and ecology.

PROPERTY MANAGEMENT AND THE GREENWAYS PROGRAM

Within the Capital Improvement District, which encompasses much of Greater Victoria, the PCC owns some 95 different properties with an assessed value in excess of $76 million.

While approximately 20% of the properties are located near downtown Victoria, the balance are along the Trans-Canada Highway coming south from Goldstream Provincial park to Douglas Street, or are adjacent to the Patricia Bay Highway going north towards the Victoria International Airport and the BC Ferries Terminal.

Many of these properties are on long-term lease to local municipalities, and are being held as green space in order to enhance the approaches to Victoria.

The Commission began creating greenways, albeit in an informal fashion, when it was established in 1956. However, in 1994, the Commission introduced the Greenways Partnership, a fund to encourage a Capital Region wide system of greenways.

Over the past 10 years, the Commission has appropriated $2.675 million in support of 80 different greenway projects in municipalities throughout Greater Victoria. The result is one of Canada's most comprehensive greenway systems.

Now that the Greenways Program has matured with the support of local communities, volunteers and the Capital Regional District, through its Parks Master Plan, the Commission is phasing out its capital contribution over three years.

The Commission will continue to use its strategic position, influence and mandate to support the ongoing enhancement of the Capital and its approaches.

BELLEVILLE TERMINAL FACILITIES

The Inner Harbour is an important gateway to the capital. Much of the property on the harbour is owned by the PCC, including the two international ferry terminals located on Belleville Street.

The Blackball (Coho) Terminal has been owned by the Commission since the late 1970s, with the MV Coho sailing between Victoria and Port Angeles Washington. This terminal is located immediately to the west of the PCC-owned historic CP Terminal Building.

The Belleville Port Facility sits beside the Blackball Terminal and serves the Clipper and Star & Express motor vessels which run between various Washington State locations and the Inner Harbour. In December, 2001, this facility was divested by Transport Canada to the PCC, providing common ownership through the PCC of a significant stretch of the Inner Harbour.

Together, these two separate ferry terminals, which include several portable and temporary facilities, have potential as a single, multi-user facility. To that end, the City of Victoria and Province of British Columbia have worked with the Government of Canada to help create the Greater Victoria Harbour Authority (GVHA). The PCC looks forward to working with the City and GVHA in achieving a new facility that addresses the needs of all stakeholders and user groups.

On the other side of the Inner Harbour, the three organizations - City of Victoria, PCC and GVHA - own additional properties, and have recently begun working together to determine appropriate long-term uses for these assets.

From the Commission's perspective, our job with respect to these properties is to ensure that the stewardship responsibilities of the PCC are met and managed to the benefit of British Columbians and their capital city.

CRYSTAL GARDEN CONSERVATION CENTRE

When it opened in 1925, the Crystal Garden was touted as the "finest place of amusement on the Pacific Coast," and was the largest heated indoor salt-water pool in the British Empire, and probably the world.

Those early Victorians came to swim in their wool bathing costumes, and took tea under the glass roof, and for nearly 50 years, the Crystal Garden was a local landmark attracting visitors and residents alike to dances, pool parties and art exhibitions.

By 1967, the Crystal was showing its age, and a leak in the chlorinating plant sent 34 people to hospital. Four years later, the Crystal Garden was closed. Over the next seven years it languished, until 1978 when it was purchased by the Province of British Columbia and turned over to the Provincial Capital Commission. Under the direction of the PCC, the Crystal Garden underwent a major multi-year restoration which re-opened the venerable downtown landmark, minus its salt-water swimming pool.

Today the Crystal Garden Conservation Centre is operated as a lush tropical garden housing numerous tropical bird and animal species.

ST. ANN'S ACADEMY

The history of St. Ann's Academy dates back to 1858, with portions of the famous school and convent pre-dating Victoria's incorporation.

Created by four Sisters of St. Ann from Quebec, the original structure was a log cabin on the Academy's grounds. The main building was built in 1871, and over the next one hundred years the academy flourished as a convent and Catholic girls' school.

By 1973, declining enrollment and increasing operating costs forced its closure and sale. Recognizing the historic significance of St. Ann's to the community and the early history of the province, the Province of British Columbia purchased the Academy which it renovated and restored between 1995-1998.

Today, St. Ann's houses provincial government offices with extensive grounds, a heritage chapel, interpretative centre and auditorium.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF OPERATIONS

The Provincial Capital Commission's capital assets include commercial properties, water lots, green spaces and parks. The commercial properties consist of several heritage buildings, two ferry terminals and three hourly-paid parking lots located around Victoria's Inner Harbour. Income from these properties sustains the PCC and provides funding for the Commission's other mandated activities.

With the exception of St. Ann's Academy, the majority of the commercial space is leased to the private sector at market rents. A high profile location at 812 Wharf is leased to Tourism Victoria at a rental rate that is significantly lower than market. Tourism Victoria is a not-for-profit organization that plays a key role in support of the economic benefits derived from the promotion of tourism in the Capital region.

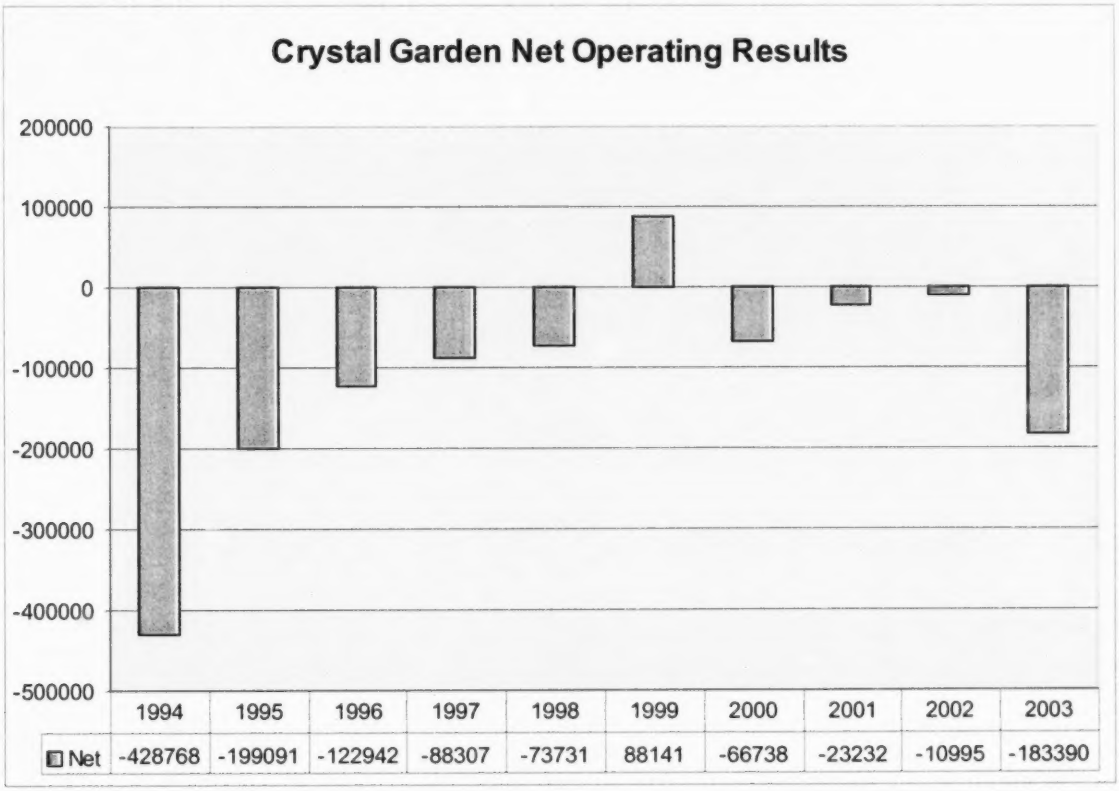
During the year, the PCC operated with a staff of 25 FTE's compared to 28 the previous year. The majority of the staff complement is associated with the Crystal Garden Conservation Centre.

For the year ended March 31, 2003, the PCC realized net revenue of $460,570 compared to $142,205 in the previous year. The most significant differences from the previous year are a reduction in salaries and benefits as a result of fewer FTE's and, in 2001/02, the final expenses relating to the St. Ann's Annex millennium project in the amount of $310,365 were booked.

Crystal Garden Conservation Centre

The Crystal Garden operation consists of the Conservation Centre attraction and related private function areas, and commercial tenants. The attraction and function areas are operated by the PCC.

The long-term objective of the PCC has been to achieve a break-even status on this property by offsetting the cost of operating the attraction with the rent revenue received from commercial tenants.



Dollars vs. Years

The financial performance of the attraction suffered this year due to the after effects of 9-11 and related matters. Paid admissions to the attraction were down in relation to the experience over the past decade. In the current fiscal, attendance dropped by 7% to 180,000 paid admissions compared to 194,000 paid admissions in 2001/02. Revenue from admissions for the same period declined by 13% from $965,089 to $839,158. Total expenditures for the Crystal Garden increased by 5.1% from $1,482,833 to $1,559,299. Commercial rent revenue increased slightly to $279,340 for the year.

St. Ann's Academy

The Chapel and Interpretive Centre at St. Ann's continue to attract users. The Chapel's rental income is nearing a point where revenue reflects available capacity. The number of guests attending rental events and visitors to the Interpretive Centre totaled over 48,000 compared to 34,000 in the previous year. St. Ann's revenue remained at the prior years level.

Belleville Port Facility

The Belleville Port facility, located next to the PCC's Blackball Terminal, was divested by Transport Canada to the PCC in the previous fiscal period. The PCC has now had a full years operating experience managing this facility. Additional revenues have been generated and historical costs controlled resulting in improved financial performance for this facility.

OVERALL FINANCIAL POSITION

During the year the PCC substantially completed an elevator addition to the CP Terminal Building. The purpose of this improvement is to provide adequate access to the two upper floors of the building in order to attract a suitable long-term tenant for this vacant space. The PCC's total investment in capital assets increased by $724,541 in the current fiscal.

The composition of the PCC's 2003 Statement of Financial Position shows little change from the previous year. Total assets have increased to $19,703,941 from $19,159,174.

FINANCIAL REPORTING

Provincial Capital Commission

Financial Statements

March 31, 2003

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Schedule of Net Assets Restricted for Beautification

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Provincial Capital Commission

Financial Statements

Year Ended March 31, 2003

Management's Responsibility for Financial Reporting

The financial statements of the Provincial Capital Commission have been prepared by management in accordance with Canadian generally accepted accounting principles. Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Provincial Capital Commission. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the financial statements of the Provincial Capital Commission.

Bill Wellburn
Chair

Larry Beres
Executive Director

Victoria, British Columbia
May 2, 2003

Report of the Auditor General of British Columbia

To the Members
of the Provincial Capital Commission, and

To the Minister of Community, Aboriginal and Women's Services,
Province of British Columbia:

I have audited the statement of financial position of the *Provincial Capital Commission* as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Provincial Capital Commission* as at March 31, 2003 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 2, 2003

Wayne Strelioff, CA
Auditor General

Provincial Capital Commission
Statement of Financial Position

March 31	2003	2002
Assets		
Current		
Cash (Note 6)	$ 1,710,082	$ 1,587,117
Short term investments (Note 3)	3,325,509	3,369,064
Receivables	72,555	119,287
Inventories	9,817	8,962
Prepaids	23,061	14,517
	5,141,024	5,098,947
Capital assets (Note 4)	14,562,917	14,060,227
	$ 19,703,941	$ 19,159,174
Liabilities		
Current		
Payables and accruals	$ 426,833	$ 129,300
Due to Province of British Columbia (Note 5)	121,129	199,808
Deferred revenue	72,383	58,062
	620,345	387,170
Deferred contributions (Note 6)	1,433,804	1,479,091
Deferred contributions related to capital assets (Note 7)	2,026,959	2,130,650
	4,081,108	3,996,911
Net assets		
Invested in capital assets	12,535,958	11,929,577
Restricted for Beautification (Note 8)	204,984	204,984
Restricted for Greenways (Note 8)	791,648	863,228
Restricted for Belleville Port Facility (Note 8)	224,737	-
Unrestricted	1,865,506	2,164,474
	15,622,833	15,162,263
	$ 19,703,941	$ 19,159,174

On behalf of the Commission

_____ Chair _____ Member

See accompanying notes to the financial statements.

Provincial Capital Commission
Statement of Operations

Year Ended March 31

		2003	2002
Revenue			
General	(Schedule 1)	$ 1,726,908	$ 1,825,400
Crystal Garden	(Schedule 2)	1,375,909	1,471,838
Port Facility	(Schedule 3)	236,632	70,951
		3,339,449	3,368,189
Expenditures			
General	(Schedule 1)	1,066,613	1,582,731
Crystal Garden	(Schedule 2)	1,559,299	1,482,833
Port Facility	(Schedule 3)	56,387	26,459
Beautification grants	(Schedule 4)	-	30,000
Greenways grants	(Schedule 5)	196,580	103,961
		2,878,879	3,225,984
Excess of revenue over expenditures		$ 460,570	$ 142,205

See accompanying notes to the financial statements.

Provincial Capital Commission
Statement of Changes in Net Assets
Year Ended March 31, 2003

	Invested in Capital Assets	Restricted for Beautification (Schedule 4)	Restricted for Greenways (Schedule 5)	Restricted for Belleville Port Facility	Unrestricted	Balance 2003	Balance 2002
Balance, beginning of year	$ 11,929,577	$ 204,984	$ 863,228	$ -	$ 2,164,474	$ 15,162,263	$ 13,464,058
Excess (deficiency) of revenue over expenditures	(118,160)	-	(196,580)	-	775,310	460,570	142,205
Investment in capital assets	724,541	-	-	-	(724,541)	-	-
Contributed land (Note 7)	-	-	-	-	-	-	1,556,000
Internally imposed restrictions (Note 8)	-	-	125,000	224,737	(349,737)	-	-
Balance, end of year	$ 12,535,958	$ 204,984	$ 791,648	$ 224,737	$ 1,865,506	$ 15,622,833	$ 15,162,263

See accompanying notes to the financial statements.

Provincial Capital Commission
Statement of Cash Flows

Year Ended March 31

	2003	2002
Increase (decrease) in cash		
Cash flow from operating activities		
Cash received from commercial activities	$ 2,976,726	$ 2,868,762
Cash received from Transport Canada (Note 6)	-	1,500,000
Cash received from contributions and donations	790	81,965
Investment income received for operating purposes	198,690	202,824
Miscellaneous receipts	75,317	62,720
Cash paid for salaries and benefits	(1,284,670)	(1,263,046)
Cash paid for materials and services	(966,322)	(1,580,714)
Cash paid for grants	(196,580)	(133,961)
Net cash generated through operating activities	803,951	1,738,550
Cash flows from investing activities		
Sale of short-term investments	43,555	11,896
Purchase of capital assets	(724,541)	(219,001)
Net cash used in investing activities	(680,986)	(207,105)
Net increase in cash	122,965	1,531,445
Cash, beginning of year	1,587,117	55,672
Cash, end of year	$ 1,710,082	$ 1,587,117

See accompanying notes to the financial statements.

Provincial Capital Commission
Notes to the Financial Statements
March 31, 2003

1. Purpose of the Commission

The Provincial Capital Commission operates under authority of the Capital Commission Act of British Columbia. It is controlled by the provincial government of British Columbia and is exempt from federal and provincial income taxes.

The Commission was established in 1956 to enhance the amenities and environment in the Great Victoria area and to respond to requests from various levels of government to undertake special projects. The historical mandate of the Commission is under review by the Commission's Board of Directors as requested by the provincial government.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Summary of significant accounting policies

Investments

Investments consist of units in Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost adjusted by income attributed to the units, and market value. Income attributed to the units represents the unitholder's share of interest earned by the Portfolio and may be realized upon sale of units.

Inventories

Inventories are valued at current replacement cost, which approximates cost.

Capital assets

Purchased capital assets are recorded at cost.
Contributed capital assets are recorded at fair value at the date of contribution.
The contribution of park lands and green spaces is valued at $1.

The contribution of the St. Ann's Academy, a provincially designated heritage site, is valued at $1. Capital improvements to St. Ann's Academy paid for by the Commission are recorded at cost.

Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for buildings is forty years and for furniture and equipment is five years. No amortization is recognized on capital assets under development.

Grant expenditures

Grant expenditures are recorded when they are approved and all eligibility criteria have been met.

Provincial Capital Commission
Notes to the Financial Statements
March 31, 2003

2. **Summary of significant accounting policies** (continued)

Revenue recognition

The Commission follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue related to expenditures of future periods is deferred and recognized in the period in which the related expenditures are incurred.

Employee benefit plans

The Commission and its employees contribute to the Public Service Pension Plan (the plan), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer contributory defined benefit pension plan with over 54,000 active plan members and approximately 27,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002, indicated a $546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers.

The Commission also contributes through the Provincial Government payroll system for specific health care and termination benefits as provided for under collective agreements and terms of employment.

Defined contribution plan accounting is applied to these benefit plans as the Commission has insufficient information to apply defined benefit plan accounting. As such, the cost of these employee future benefits is recognized as an expense in the year that contributions are paid.

Financial instruments

The Commission's financial instruments consist of short term investments, receivables, payables and accruals, and the amounts due to the Province of British Columbia. Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest or foreign currency risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Provincial Capital Commission
Notes to the Financial Statements
March 31, 2003

3. Short term investments

	2003	2002
Market value	$ 3,376,706	$ 3,403,978
Less: unrealized gain	51,197	34,914
Cost	$ 3,325,509	$ 3,369,064

4. Capital assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	$ 9,575,220	$ –	$ 9,575,220	$ 9,575,220
Buildings	6,289,393	2,715,537	3,573,856	3,731,091
Building addition under development	510,196	-	510,196	69,271
Wharves under development	267,518	-	267,518	-
Furniture and equipment	386,841	288,295	98,546	135,418
St. Ann's Academy	609,193	71,613	537,580	549,226
Park lands and green spaces	1	–	1	1
	$ 17,638,362	$ 3,075,445	$ 14,562,917	$ 14,060,227

The 60 parcels of land that make up park lands and green spaces have an assessed value of $18,991,624 (2002: $17,181,400).

St. Ann's Academy, excluding the Chapel and Interpretative Centre, has been leased to the British Columbia Buildings Corporation for 51 years for $10 in exchange for the Corporation performing renovations to the building and property. At the completion of the lease period all improvements become the property of the Commission. St. Ann's Academy has an assessed value of $23,502,200 (land, $12,641,000; building, $10,861,200) (2002: $21,464,800).

5. Related party transactions and balances

In addition to the amount due to the Province of British Columbia, which controls the Commission, the Commission had the following transactions with the Province of British Columbia and its related entities:

- The Ministry of Finance and Corporate Relations acts as fiscal agent for the Commission and also provides payroll processing currently at no charge.
- Rent revenue of $27,298 (2002: $98,413) was received from British Columbia Buildings Corporation.
- Operating costs of $53,683 (2002: $53,699) relating to St. Ann's Academy were paid to British Columbia Buildings Corporation.

Provincial Capital Commission
Notes to the Financial Statements
March 31, 2003

5. Related party transactions and balances (continued)

- Insurance costs of $35,324 (2002: $38,285) were paid to the Ministry of Finance Risk Management.
- Printing costs of $1,479 (2002: $3,393) were paid to the Queen's Printer.

6. Deferred contributions

Deferred contributions represent unspent contributions restricted by Transport Canada. Transport Canada provided $1.5 million in cash in the 2002 fiscal year for the continued operation of the Belleville Port Facility. The contribution may only be used for eligible expenditures to operate the port, as described in the Transport Canada Contribution Agreement dated December 4, 2001. Any unused funds must be returned to Transport Canada after ten years of operations. Cash held at the end of the year subject to these restrictions is equal to $1,433,804.

Changes in the deferred contributions balance are as follows:	2003	2002
Opening balance	$ 1,479,091	$ -
Add: restricted contribution	-	1,500,000
Less: amount recognized as revenue	45,287	20,909
Ending balance	$ 1,433,804	$ 1,479,091

7. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent contributed assets received from the Province of British Columbia and Transport Canada in prior years.

Transport Canada contributed $2 million in land, buildings and wharves to the Commission in the 2002 fiscal year. The $444,000 portion of the contribution allocated to buildings and wharves was deferred and is recognized as revenue on the same basis as amortization expense. The land contribution of $1,556,000 was accounted for as a direct increase to net assets.

Changes in the deferred contributions balance are as follows:		2003	2002
Opening balance		$ 2,130,650	$ 1,784,791
Add: contributed buildings and wharves		-	444,000
Less: amounts amortized to revenue			
General	$ 29,781		
Crystal Gardens	62,810		
Port Facility	11,100	103,691	98,141
Ending balance		$ 2,026,959	$ 2,130,650

Provincial Capital Commission
Notes to the Financial Statements
March 31, 2003

8. Restrictions on net assets

Net assets restricted for Beautification and Greenways are comprised of unexpended balances of amounts approved by Orders in Council for projects which are not yet completed or amounts restricted by the Board of Directors which have not yet been allocated to projects. Such projects are undertaken in cooperation with Capital Improvement Districts, municipalities and other groups.

During the year, the Board of Directors internally restricted $125,000 to be used for Greenways purposes. Approval from the provincial government by way of Order in Council is required before these internally restricted amounts can be expended as grants.

During the year, the Board of Directors internally restricted net revenue derived since December 4, 2001 from the operation of the Belleville Port Facility to be used for the operation of, and improvement to, the Belleville Port Facility. The current year restriction totals $224,737 and is comprised of net revenues of $44,492 and $180,245 from fiscal years 2002 and 2003, respectively.

9. Employee benefits

The Commission has defined benefit plans providing pension, other retirement and post-employment benefits to most of its employees. The Commission contributed 21.22% (2002: 19.52%) of salaries and wages to fund the cost of pension, health care and specific termination benefits and allowances. Total benefit expense in the year was $205,392 (2002: $204,056).

Provincial Capital Commission
Schedule of General Operations

Schedule 1

Year Ended March 31

	2003	2002
Revenue		
Contributions		
Provincial (Note 7)	$ 29,781	$ 29,781
City of Victoria	-	80,000
St. Ann's general	790	1,965
Investment income	160,722	193,927
Miscellaneous	19,654	22,236
Parking lots	433,878	441,570
St. Ann's revenue	106,428	109,782
Tenant (Note 5)	975,655	946,139
	1,726,908	1,825,400
Expenditures		
Advertising and promotion	5,344	13,044
Advisory committee	7,786	3,220
Amortization	101,292	103,488
Bad debts	-	250
Insurance	28,371	22,435
Janitorial	59,530	56,684
Landscaping	54,526	47,019
Millennium project, St. Ann's Annex	-	310,365
Miscellaneous	23,670	25,783
Office	37,688	45,767
Operating costs, St. Ann's	122,911	118,733
Parking collection fees	32,185	32,986
Professional fees	33,341	61,689
Repairs and maintenance	66,650	104,236
Salaries and benefits (Note 9)	410,409	580,158
Security	7,572	8,683
Telephone	11,247	10,631
Travel	8,447	1,429
Utilities	55,644	36,131
	1,066,613	1,582,731
	$ 660,295	$ 242,669

Provincial Capital Commission
Schedule of Crystal Garden Operations

Schedule 2

Year Ended March 31

	2003	2002
Revenue		
Admissions	$ 839,158	$ 965,089
Ballroom and bar	138,938	135,415
Contributions, Provincial (Note 7)	62,810	62,810
Miscellaneous	55,663	40,484
Tenant (Note 5)	279,340	268,040
	1,375,909	1,471,838
Expenditures		
Advertising and promotion	53,426	63,505
Amortization	109,459	103,317
Aviary	56,686	54,913
Bad debts recovery	-	(20)
Ballroom and bar	46,329	47,731
Butterflies	42,088	45,295
Freight	9,533	9,142
Horticultural	42,719	45,449
Insurance	23,288	14,765
Janitorial	66,559	65,318
Miscellaneous	44,038	26,413
Office	14,004	13,382
Professional fees (recovery)	-	(4,875)
Repairs and maintenance	132,100	152,774
Salaries and benefits (Note 9)	794,965	721,330
Security	12,321	14,206
Telephone	11,324	8,817
Travel	2,270	4,133
Utilities	98,190	97,238
	1,559,299	1,482,833
	$ (183,390)	$ (10,995)

Provincial Capital Commission
Schedule of Port Facility Operations

Schedule 3

Year Ended March 31

(Commencement of operations, December 6, 2001)

	2003	2002
Revenue		
Contributions, Federal		
Related to eligible expenditures (Note 6)	$ 45,287	$ 20,909
Related to capital assets (Note 7)	11,100	5,550
Investment income	37,968	8,897
Parking lots	21,513	236
Tenant income	120,764	35,359
	236,632	70,951
Expenditures		
Eligible expenditures (Note 6)		
Bank charges and interest	57	22
Janitorial	17,598	6,158
Parking collection fees	2,352	52
Professional fees	5,479	3,150
Property taxes	-	2,233
Repairs and maintenance	13,254	7,612
Salaries and benefits (Note 9)	1,293	697
Utilities	5,254	985
	45,287	20,909
Amortization	11,100	5,550
	56,387	26,459
	$ 180,245	$ 44,492

Provincial Capital Commission

Schedule 4

Schedule of Net Assets Restricted for Beautification

Year Ended March 31, 2003

Beautification Projects	Balance at Beginning of Year	Current Year Restrictions	Current Year Grant Expenditures	Balance at end of Year
Internally restricted	$ 100,518	$ -	$ -	$ 100,518
Externally restricted				
Confederation Square	8,000	-	-	8,000
Marine Information Centre Project	40,000	-	-	40,000
Oak Bay Avenue Planting	3,933	-	-	3,933
Selkirk Arbutus Walkway	40,000	-	-	40,000
Switch Bridge Gateway	533	-	-	533
Westsong Way Study	12,000	-	-	12,000
	104,466	-		104,466
Total restricted net assets	$ 204,984	$ -	$ -	$ 204,984

Provincial Capital Commission

Schedule 5

Schedule of Net Assets Restricted for Greenways

Year Ended March 31, 2003

Greenways Projects	Balance at beginning of Year	Current Year Restrictions	Current Year Grant Expenditures	Balance at end of Year
Internally restricted	$ 411,394	125,000		
Allocated to projects below		(220,139)	-	$ 316,255
Externally restricted				
Banfield Park Waterfront Path	-	27,000	-	27,000
Blenkinsop Greenways Planning Project	-	15,000	-	15,000
Bowker Creek Corridor	1,749	-	-	1,749
Cecelia Ravine Park / Galloping Goose	202	-	-	202
Dockside Greenways Link	1,564	-	-	1,564
Duke Road Path	25,000	-	-	25,000
Galloping Goose Phase II	3,528	-	-	3,528
Goldstream Meadows Connector	45,000	-	-	45,000
Good Neighbours Private Land Stewardship	-	16,300	(16,296)	4
Gorge Waterway Park & Walkway Extension	50,000	-	-	50,000
Greenway Link Mt. Newton X-Road	41,539	-	(38,301)	3,238
Greenway Plan	15,000	-	(11,832)	3,168
Greenways Master Plan	11,500	-	-	11,500
Greenways Workshop	-	1,500	-	1,500
Hagen Creek Watershed	270	-	-	270
Lillian Hoffar Park	-	15,000		15,000
Lochside Trail (Central Saanich)	5,028	-	-	5,028
Lochside Trail Extension	11,976	-	-	11,976
Lochside Trail / Island View Road	50,000	-	-	50,000
Matson Lands/Westsong Way Signage	-	4,800		4,800
Millstream Creek Bridge	-	75,000		75,000
Oaklands Neighbourhood Green Space Project	887	-	(418)	469
Pacific Conservation Park Phase II	-	45,539	(45,539)	-
Protection of Parks and Green/Blue Spaces	2,372	-	(2,372)	-
South Coast Rail Phase II	95,000	-	-	95,000
Spirit Garden Greenway	534	-	(115)	419
Switch Bridge	40,000	-	(40,000)	-
Switch Bridge Gateway	-	20,000	(8,778)	11,222
Tod Creek/Prospect Lake Stewardship Program	7,060	-	-	7,060
Weiler Avenue to Ocean Avenue Pathway	10,000	-	-	10,000
West Side Rail Trail	33,625	-	(32,929)	696
	451,834	220,139	(196,580)	475,393
Total restricted net assets	$ 863,228	$ 125,000	$ (196,580)	$ 791,648

HISTORICAL PERSPECTIVE

The British Columbia Provincial Capital Commission (PCC) that we know today was created in 1977. Its roots go back to 1956, when then Premier W.A.C. Bennett established the Capital Improvement District Commission to protect Victoria's unique provincial and national role, character and ecology. While Premier Bennett was from the Interior of the Province, he believed Greater Victoria should be preserved and enhanced, in keeping with its significance as the capital of British Columbia. That early recognition, that Victoria should be connected to every British Columbian, is echoed again today, some 50 years later, as the new PCC connects and celebrates our capital with its citizens, no matter where they are in British Columbia.

The Commission's designated area of responsibility has been expanded three times over the years, and is still legally known as the Capital Improvement District. It now includes Greater Victoria, the Saanich Peninsula, all of the Western Communities, including Sooke, and the Juan de Fuca Electoral District.

CAPITAL IMPROVEMENT DISTRICT

JUAN DE FUCA ELECTORAL AREA

The Commission's designated area of responsibility has been expanded three times over the years and is still legally known as the Capital Improvement District. It now includes Greater Victoria, the Saanich Peninsula, all of the Western Communities including Sooke, and the Juan de Fuca Electoral District.

CAPITAL IMPROVEMENT DISTRICT

DIRECTORS

Directors at March 31, 2003

Name	*Position*	
Barbara Brink*[1,4]	Director	Vancouver
Beth Campbell*[1,2]	Director	Penticton
Jane Durante*[4]	Director	Vancouver
Christopher Fairbank*[4]	Director	Nelson
Rob Fleming[3]	Director	Victoria Council
Rob Hunter*[1,3]	Director	Victoria
Russell Irvine[2,3]	Director	Oak Bay Council
Gordon Leighton*[1,4]	Vice-Chair	Prince George
Pamela Madoff[4]	Director	Victoria Council
Jackie Ngai[2]	Director	Saanich Council
Darwin Robinson	Director	Esquimalt Council
Judy Brownoff	Director	Saanich Council
Bill Wellburn*[1,2,3,4]	Chair	Victoria
Christa Williams* [3]	Director	North Vancouver

Directors 2002-2003

Name	*Position*	*To*	
John Bergbusch	Director	Dec 17, 2002	Victoria
Pamela Charlesworth	Chair	Dec 17, 2002	Victoria
John Garrison	Director	Nov 20, 2002	Saanich Council
Helen Hughes	Director	Mar 13, 2003	Victoria Council
Connie McCann	Director	Nov 20, 2002	Esquimalt Council
Ben Pires	Director	Oct 17, 2002	Victoria
Cheryle Scott	Director	Nov 20, 2002	Oak Bay Council
Crispian Starkey	Director	Dec 17, 2002	Victoria
Art Vanden Berg	Director	Nov 20, 2002	Victoria Council

* Order-In-Council 1122

1. Executive Committee 2. Governance Committee 3. Audit and Finance Committee
4. Planning Task Force

MANAGEMENT AND SUPERVISORY STAFF

Executive Director
Larry Beres 953-8805

Director, Program Services & Projects
Brian Rowbottom 953-8808

Director, Financial Services, Property & Planning
Deborah Eddy 953-8806

Supervisor Customer & Curatorial Services (St. Ann's Academy)
Kris Andersen 953-8829

Supervisor Customer Services (Crystal Garden)
Barry Hobbis 953-8816

Supervisor Horticulture & Physical Plant Systems (Crystal Garden)
Bruce Tanner 953-8810

Supervisor Animal Care & Conservation (Crystal Garden)
John Creviston 953-8813

PROVINCIAL CAPITAL COMMISSION
613 PANDORA AVENUE
VICTORIA BRITISH COLUMBIA V8W 1N8
Telephone: (250) 953-8800 Fax: (250) 386-1303
Web Site: www.bcpcc.com